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SUBJECT: GOC WORKS TO OPEN FISHERIES CHAPTER AS FISHERMEN
FACE DROP IN EARNINGS

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11. (U) SUMMARY: At the end of September, the GOC submitted its negotiating position for the fisheries chapter of EU accession negotiations. The position focuses on maintaining Croatia's traditional fisheries, most of which are not covered by EU rules. Although the GOC does not expect major objections to its demands, Slovenia is expected to block movement on the chapter in order to push tangential bilateral issues. In the meantime, the fishing industry has seen a drop in real earnings this year, as high fuel prices halted much of the fleet in June. A recently-approved 18 million HRK (\$3.2 million) in aid will help fisherman, though they continue to seek further support measures from the government to counter the handicap of an old and inefficient fleet. End summary.

12. (U) After conceding defeat in the political stand-off with Slovenia over its Ecological and Fisheries Protection Zone (ZERP) early this year and revoking application of ZERP regulations for EU countries (reftel), Croatia has continued working to open the fisheries chapter for EU accession negotiations with relatively little public attention. At the end of September, the GOC decided on its negotiating position and submitted it to the EU. Neda Skakelj, director for fisheries at the Ministry of Agriculture, Fisheries, and Rural Development, told us the backbone of Croatia's position is the preservation of small-scale traditional fisheries, considered an important part of Croatia's coastal heritage. Several of the demands focus on ensuring that Croatian fisherman may continue using traditional fishing methods. Skakelj said these methods are not covered in the EU's acquis, since the EU's Common Fisheries Policy was developed based mainly on Atlantic, not Mediterranean, fisheries. She said changes to the traditional fisheries would not have a large economic effect on the industry as a whole but could have a large effect on individuals and small fishing communities along the coast.

13. (U) One Croatian demand with a larger potential impact on the industry is that Croatia be allowed to maintain its tuna quota as set by the International Commission for the Conservation of Atlantic Tuna (ICCAT). With an annual quota of 833 tons, the \$150 million bluefin tuna catch represents about 90 percent of the value of Croatia's fish exports. Under the ICCAT regime, the European Commission receives a lump quota for all member states and could redistribute part of Croatia's quota when it joins. Skakelj said, however, that quota maintenance is not an unusual demand for aspirant countries and should not pose a problem.

14. (SBU) The European Council is now preparing the EU's draft common negotiating position, which will stipulate benchmarks, if any, and which must be approved by all EU member states before being delivered to Croatia. The GOC does not expect major objections from the EU and hopes the EU will provide its position by the end of the 2008. However, Martin Mayer, political advisor at the European Commission Delegation to

Croatia, told us Slovenia intends to hold up the fisheries chapter to push for resolution of bilateral border issues. Skakelj said further resistance by Slovenia would not surprise her, although she could not see any elements of the actual negotiating position with which Slovenia could justifiably disagree.

15. (U) While work on the fisheries chapter has moved slowly forward, Croatia's fishermen have had a difficult year. Skakelj told us high fuel prices halted much of the fleet in June. Average net monthly earnings for the industry for January through August 2008 were 4030 HRK (\$707), which are about 20 percent below the national average and represent a drop from the same period in 2007 when adjusted for inflation. In response, the GOC recently approved 18 million HRK (\$3.2 million) in aid to the industry, to be given as grants to legal and physical persons eligible under the Agriculture and Fisheries Subsidies Act. The industry has also asked for a reduction in the value-added tax on fish and seafood, greater subsidies to lower the price of the "blue diesel" reserved for the industry, and the right to pension benefits after 30 years of working in the industry, regardless of age. None of these measures directly address one of the industry's major underlying problems: the old age and inefficiency of most of its vessels. The GOC has little room to act in this regard, however, as the EU prohibits the use of public funds to update the fleet.

16. (SBU) COMMENT: The fisheries chapter has all along been a focus of Slovenia's efforts to leverage Croatia's EU accession into forcing a resolution of the outstanding border issues and, unlike several other chapters Slovenia is blocking, has at least a tangential connection to the

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question of the maritime border. As the border issues are unlikely to be resolved in the next few months, adoption of a draft EU common position by the end of the year would require significant EU pressure on Slovenia. Regardless of that outcome, Croatia's fishermen will continue to struggle to compete with other larger, more modern European fleets for declining fish populations.
Bradtke